

LBNL – PROCUREMENT STANDARD PRACTICES

Section: 46 Quality Assurance

Subject: 46.1 Subcontract Quality Assurance

PURPOSE:	This standard practice (SP) establishes procedures to ensure that subcontracts include quality safeguards and controls appropriate to the goods and services being acquired.
POLICY:	The Laboratory will ensure that the goods and services acquired under subcontracts conform to the quality and quantity requirements of the subcontract.
SCOPE:	This SP applies to all subcontracts in which the requester has indicated that quality assurance (QA) requirements apply. The type and extent of the quality requirements will depend upon the impact of an item's failure to perform on Laboratory programs.
DEFINITIONS:	
Acceptance	Acceptance is the act of an authorized Laboratory representative by which the Laboratory assumes ownership of identified goods or approves specific services rendered as partial or complete performance of a subcontract.
Certificate of Conformance	A Certificate of Conformance is a certification by a subcontractor that supplies or services are of the quality specified and conform in all respects to the subcontract requirements.
Counterfeit Parts	Counterfeit parts are forgeries or imitations of original items that have been copied without permission.
Inspection	Inspection is examining and/or testing goods or services (including, when appropriate, raw materials, components, and intermediate assemblies) to determine whether they conform to quality requirements of the subcontract.
Nonconforming	A nonconforming item is any item or service that does not conform to the requirements of the subcontract. A nonconformance is a deficiency in characteristic, documentation, or procedure that renders the quality of an item or service unacceptable or indeterminate.
Quality Assurance (QA)	Quality assurance (QA), in the context of a subcontract, is a management tool used by the Laboratory to ensure that a subcontractor has fulfilled its contractual obligations pertaining to quality and quantity.
Subcontract Quality Requirements	Subcontract quality requirements are the technical requirements in a subcontract relating to the quality of the goods or services, the subcontract clauses prescribing inspection, and other quality controls incumbent on the subcontractor to assure that the goods or services conform to the contractual requirements. Inspection, acceptance, and warranty are a few measures associated with

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quality requirements.

**Supplier
Corrective Action**

Supplier corrective actions are those activities that a subcontractor will perform to correct a nonconformance and prevent recurrence.

Suspect Parts

Suspect parts are items that may be represented to meet standards that they do not meet or are questionable and their authenticity has not been verified.

PROCEDURES:

**Requester's
Determination**

The requester must identify any quality requirements for the subcontract on the purchase request. This information may be included in the scope of work document. The type and extent of the subcontract quality requirements may range from inspection or testing at time of acceptance to a requirement for the subcontractor to implement a comprehensive quality control program.

**Guidelines for
Procurement**

Purchase requests must be reviewed to ensure that an adequate description and/or specifications are supplied. The requester must be contacted for additional information if specific QA requirements have not been addressed. Quality requirements, as determined by the requester, must be included in the solicitation and resultant subcontract.

Additional expertise or advice regarding QA requirements is available from the Office of Assessment and Assurance (OAA).

**Suspect/
Counterfeit Items**

In general, suspect/counterfeit-prone items should be purchased through approved and qualified supply channels, where practicable. This involves direct procurement and shipment from the manufacturer or through authorized distributors. Items procured through other channels should be treated with caution and should generally be traceable to the original manufacturer or to tests and inspections, as appropriate. When new items are desired, the solicitation and subcontract should specify that "new" items are required to avoid confusion and possible substitution of used or refurbished items.

Note: Only designated procurement specialists may purchase Grade 5 and above Hex Head Cap Screws, which they must purchase from qualified distributors.

**Subcontractor
Qualification**

For critical items, an evaluation of a potential supplier's manufacturing or service capabilities and quality program can be performed. The rigor and formality of the qualification requirements should be commensurate with the potential effect of

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the item or service being provided on such factors as safety, the environment, security, and/or accomplishment of the program. The requester will determine supplier qualification requirements and approve the list of qualified suppliers.

Subcontractor qualification may be established by a variety of means including:

- Pre-award survey,
- Performance history evaluation, or
- Post-award survey.

Inspection

Inspection provides objective evidence of a subcontractor's compliance with the technical and/or quality requirements of a subcontract. The trend in government contracting has been to increasingly place the responsibility for detailed inspection of work on the subcontractor. Generally, subcontractors are responsible for performing inspection before tendering goods to the Laboratory. However "QA-required" subcontracts may require specialized inspections to be performed. Inspection may occur prior to shipment at a supplier's or manufacturer's facility or after delivery but prior to acceptance at the Laboratory.

Acceptance

Acceptance constitutes acknowledgment that goods or services ordered conform with the applicable technical, quality, and/or quantity requirements of the subcontract. Acceptance may take place before, at the time of, or after delivery, depending upon the requirements of the subcontract. The subcontract needs to clearly state any acceptance criteria and responsibilities. As a rule, items are accepted at the location of QA activities. The Laboratory normally delegates responsibility for acceptance to the technical representative or to others outside the Procurement staff. The requester must specify the location of acceptance according to the specific needs of the subcontract.

Methods commonly used to accept an item or service from a subcontractor are outlined below.

Certificate of Conformance — A certificate of conformance is a certification by a subcontractor that supplies or services are of the quality specified and conform in all respects to the subcontract requirements. A certificate of conformance (see sample in Exhibit 46.1.a) may be used in certain instances instead of inspection if the following conditions apply:

- Small losses would be incurred in the event of a defect or
- Because of knowledge of the subcontractor's past performance or quality program, it is likely that the goods or services

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furnished will be acceptable and any defective work would be replaced, corrected, or repaired without contest.

Source Inspection — Source inspection is the inspection of supplies or services at the subcontractor's plant or other site. When source inspection is used, it must be performed at intervals consistent with the importance and complexity of the item or service and is used to monitor, witness, or observe activities. Source inspection must be implemented in accordance with plans to perform inspections, examinations, or tests at predetermined points. Upon acceptance by the Laboratory of the source inspection, documented evidence of acceptance must be furnished to the requester, the subcontractor, and the procurement specialist.

Receiving Inspection — Receiving inspection is the inspection of supplies or services at the Laboratory's receiving point. When receiving inspection is used, items must be inspected to the degree necessary to verify conformance to specified requirements, taking into account source qualification activities and the demonstrated quality performance of the subcontractor. Receiving inspection must be performed in accordance with procedures and/or inspection instructions established by the requester to verify by objective evidence such features as proper configuration; identification; dimensional, physical, and other characteristics; freedom from shipping damage; cleanliness; and traceability of physical items to required quality documents.

Solicitation and Subcontract Requirements — The solicitation and subcontract must clearly establish how items will be inspected, where, by whom, and at whose expense.

Acceptance Testing

Final Acceptance Testing — When final acceptance testing is used, test requirements and acceptance documentation must be mutually established by the requester and the subcontractor.

All solicitations and subcontracts involving acceptance testing must include the following elements:

- The Laboratory's intent to inspect and/or perform the testing;
- Identified acceptance testing requirements;
- Instructions to the subcontractor for verifying item conformance to subcontract requirements before submittal of the items to the Laboratory for acceptance;
- Identification of responsibility for conducting and paying for testing;

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- The period of time over which the testing will take place; and
- The notification procedures and the personnel to be notified to schedule testing.

Note: National standards tests, such as ASTM or IEEE, may be specified in the subcontract by reference. Laboratory or DOE-specific test specifications must be included in or attached to the subcontract in their entirety.

Nonconformance

Goods or services must be identified as nonconforming when they do not meet subcontract requirements.

Waiver of Nonconformance — There may be circumstances (e.g., reasons of economy or urgency) when acceptance of nonconforming goods or services is determined to be in the Laboratory's best interest. Such a determination must be based upon:

- Documented determination by the requester that the item(s) is safe to use and will perform its intended purpose or
- An appropriate subcontract adjustment.

Subcontract Modification — An equitable price reduction or other form of consideration shall be sought from a subcontractor in return for acceptance of a nonconforming item.

Correction of Nonconformances — In the event that a nonconforming item is rejected, the subcontractor must be promptly notified of the rejection and appropriate arrangements for return and/or replacement made. Timely notification of rejection is essential; in certain cases, acceptance may be implied as a matter of law. The subcontractor may be notified orally with confirmation by written notice.

Corrective Action Requirements — When deemed necessary by the requester, the subcontractor may be required to perform an analysis to determine the cause of the nonconformance. Copies of the subcontractor's analysis must be provided to the requester and retained in the subcontract file to document the subcontractor's corrective action.

CLAUSES:

Include the *Subcontractor Inspection Requirements* clause (FAR 52.246-1) in all QA solicitations and subcontracts exceeding the small purchase threshold.

Include the *Inspection of Supplies—Fixed-Price* clause (FAR 52.246-2) or the *Inspection of Services—Fixed-Price* clause

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(52.246-4), as appropriate, in all QA solicitations and subcontracts for fixed-price subcontracts exceeding the small purchase threshold.

Include the *Inspection of Supplies—Cost-Reimbursement* clause (FAR 52.246-3) or the *Inspection of Services—Cost-Reimbursement* clause (FAR 52.246-5), as appropriate, in all QA solicitations and subcontracts for cost-reimbursement subcontracts.

Include the *Inspection—Time-and-Material and Labor-Hour* clause (FAR 52.246-6) in all QA solicitations and subcontracts for time-and-material and labor-hour subcontracts.

Include the *Inspection of Research and Development—Fixed Price* clause (FAR 52.246-7) in all QA solicitations and subcontracts for fixed-price research and development subcontracts.

Include the *Inspection of Research and Development (Short Form)* clause (FAR 52.246-9) in all QA solicitations and subcontracts for cost-reimbursement research and development subcontracts only requiring the submission of reports.

Include the *Inspection of Research and Development—Cost Reimbursement* clause (FAR 52.246-8) in all QA solicitations and subcontracts for all other cost-reimbursement research and development subcontracts.

Include the *Inspection of Construction* clause (FAR 52.246-12) in all QA solicitations and subcontracts for fixed-price construction subcontracts.

RESPONSIBILITIES:

Procurement Specialist

The procurement specialist shall:

- Review the purchase request and supporting documentation for identification of QA requirements;
- Coordinate with the requester to develop quality inspection plans and to select appropriate quality clauses;
- Assist the requester with quality program evaluations and QA surveys;
- Work with the requester to resolve quality problems;
- Ensure that specified QA clauses and requirements are incorporated into solicitations and subcontracts;
- Ensure that no changes are made to the list of qualified

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suppliers to be solicited without the express permission of the requester;

- Serve as the point-of-contact and coordinate communications in support of quality verification activities involving supplier audits, inspections, evaluations, nonconformances, and supplier corrective action requirements, etc.;
- If the nonconforming item or service is to be rejected, promptly issue a notice of rejection to the subcontractor and arrange for return/replacement;
- When deemed necessary by the requester, request that the supplier perform an analysis to determine the cause of the nonconformance, , and document the supplier's corrective action in the subcontract file;
- Modify the subcontract to reflect an equitable price reduction or other consideration if nonconforming items are accepted, documenting the subcontract file appropriately, and
- Maintain documentation of QA activities in the subcontract file.

Requester

The requesters shall:

- Determine whether the procurement necessitates QA requirements;
- Supply an adequate technical specification and/or description;
- Provide the appropriate QA requirements to the procurement specialist;
- Coordinate with the procurement specialist to develop inspection plans and quality provisions;
- Determine the requirements for supplier quality program evaluations and qualifications;
- Review offerors' proposals for compliance with quality related requirements and provide comments to the procurement specialist;
- Determine and document final acceptance;
- Determine the disposition of nonconforming items or services;
- Work with the subcontractor and the procurement specialist to resolve quality problems; and
- Determine the requirement for and approve supplier corrective action submissions.

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Exhibit: 46.1.a Certificate of Conformance

Certificate of Conformance

I certify that on [*date*], the [*Subcontractor's name*] furnished the supplies or services called for by Subcontract No. [*number*] via [*carrier*] on [*identify bill of lading or shipping document*] in accordance with all applicable requirements.

I further certify that the supplies or services are of the quality specified and conform in all respects with the subcontract requirements, including specifications, drawings, preservation, packaging, packing, marking requirements, and physical item identification (part number), and are in the quantity shown on this or on the attached acceptance document.

Date of Execution: _____

Signature: _____

Title: _____